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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963.

No. 108

SEARS, ROEBUCK AND CO.,
Petitioner,

vs.

THE STIFFEL COMPANY,
Respondent.

PETITIONER'S BRIEF.

WILL FREEMAN,
135 South LaSalle Street,
Chicago, Illinois,
Attorney for Petitioner.

Of Counsel:
LEO H. ARNSTEIN,
FRANK H. MARKS,
D. D. ALLEGRETTI,
GEORGE B. NEWITT,
Chicago, Illinois.

THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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CITATIONS TO OPINIONS BELOW.

The District Court's Findings of Fact and Conclusions of Law, in support of the Judgment of the District Court, are found at R. 56-68. The District Court's Judgment was rendered on January 22, 1962 and is found at R. 68-69.

The Opinion and Decision of the United States Court of Appeals for the Seventh Circuit was rendered on January 23, 1963, and is found at R. 110-114 and reported in 313 F. 2d 115. Rehearing was denied by the Court of Appeals, without opinion, on March 4, 1963.

JURISDICTION.

The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED.

Article I, Section 8, Clause 8 of the Constitution of the United States:

> "The Congress shall have Power * * * to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

35 U. S. C. § 171:

> "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor. . . ."

35 U. S. C. § 173:

> "Patents for designs may be granted for the term of three years and six months, or for seven years, or for fourteen years, as the applicant, in his application, elects."

35 U. S. C. § 281:

> "A patentee shall have remedy by civil action for infringement of his patent."

28 U. S. C. § 1338:

> "(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.
>
> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

QUESTION PRESENTED.

Where the Constitution of the United States (Article I, Section 8, Clause 8) grants to Congress the power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries, can a federal court, applying what it believes to be the State law of "unfair-competition", perpetually enjoin the sale of copies of a patented device after the patent covering the device has been judicially terminated?

STATEMENT OF THE CASE.

Respondent, The Stiffel Company (hereinafter referred to as "Stiffel"), sued Petitioner, Sears, Roebuck and Co. (hereinafter referred to as "Sears") for infringement of a mechanical patent and a design patent, and for "unfair competition" arising out of the sale by Sears of so-called "pole lamps". The Design Patent covered, pursuant to 35 U. S. C. § 171, the ornamental design or aesthetic appearance of a particular pole lamp. Plaintiff's claim for unfair competition was based on the ground that Sears had copied the details of the ornamental appearance of Stiffel's commercial embodiment of the same particular pole lamp covered by the design patent, and that the sale by Sears of such pole lamps had resulted in confusion in the trade and had amounted to unfair competition (R. 3-5).

The District Court found both of Stiffel's patents to be invalid,[1] but held Sears to be guilty of unfair competition.[2] The Court of Appeals affirmed (R. 114).

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1. As to the Design Patent: "2. The Claim of U. S. Patent No. 180,251 is hereby declared to be invalid." R. 68.

2. As to Unfair Competition: "3. Defendant and its agents, representatives and employees, are hereby enjoined from unfairly competing with plaintiff by selling or attempting to sell pole lamps identical to or confusingly similar to plaintiff's exhibits 3 and 10." R. 68.

Stiffel is a manufacturer of high-quality portable lamps (Finding 2, R. 57). Stiffel was not the first to disclose, sell or use a so-called "pole lamp" (Finding 9, R. 58; Finding 12, R. 59; Finding 15, R. 60; Finding 25, R. 62).

The pole lamps of this case are characterized by a pole having three vertically spaced lamps alternating on opposite sides of the pole (Finding 18, R. 61). Although not suggested by the Stiffel design patent, the commercially sold product is intended to be wedged between the floor and the ceiling so that the lamps may be directed in various desired ways (Plaintiff's Exhibit 17, R. 93). Stiffel's design-patented pole lamp, having the particular ornamental design appearance here involved (Plaintiff's Physical Exhibit 3), was first displayed during January 1956 (R. 17). Thereafter, in May 1957, Stiffel obtained a design patent for the ornamental design appearance of this particular version of a pole lamp (Des. 180,251, R. 71).

In August 1956, Randolph Metal Works of Philadelphia, a supplier to Sears of portable lamps, began the manufacture of pole lamps for inclusion in the Sears line (Finding 41, R. 65). The Sears pole lamp (Plaintiff's Physical Exhibit 10; and photograph thereof, Plaintiff's Exhibit 11, R. 89) was found below to be a copy of the design patented pole lamp manufactured and sold by Stiffel, Plaintiff's Physical Exhibit 3 (Finding 40, R. 64-65). The lighting fixture shown in the drawing of the Stiffel Design Patent No. 180,251 of May 1957 (R. 71) and the Stiffel pole lamp of Plaintiff's Physical Exhibit 3 are one and the same ornamental design.

The Judgment of the District Court held the Stiffel design patent to be invalid because anticipated by and lacking in invention over: (1) the prior public use in this country, before the Stiffel invention and more than one year before the date of the application for the Stiffel de-

sign patent, of a "Deca Pole" lighting fixture, Defendant's Exhibit 55 (Conclusion 3[a], R. 66-67), and (2) the description and public disclosure of a "Lamp Tree" lighting fixture, before the Stiffel invention and more than one year before the date of the application for the Stiffel design patent, in national publications[3] (Conclusion 3[b], R. 67).

The Judgment of the District Court, notwithstanding the holding that the Stiffel design patent is invalid because anticipated by and lacking in invention over prior public use and five prior publications, held Sears to be guilty of unfair competition under the law of the State of Illinois, on the ground that the similarity in appearance between the commercial pole lamps of Sears and Stiffel is so close that confusion between them is likely and some confusion had already occurred (Finding 42, R. 65; Judgment, paragraph 3, R. 68).

The Court of Appeals affirmed the District Court holding of unfair competition, and ruled in the Opinion that there was "customer confusion" because of the "sameness of appearance" (R. 113).[4]

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3. "Quick" magazine, January 30, 1950, page 42; "Lighting & Lamps" magazine, February 1950, pages 80 and 81; "The New York Times Magazine", February 12, 1950, pages 38 and 39 and August 22, 1954, page 36; "Architectural Forum" magazine, June 1950, page 212.

4. "The Stiffel pole lamps and that of Sears made from a copy of a picture of the Stiffel lamp are before us as exhibits. A comparison of the two gives substantial support for the finding that the lamps have a remarkable sameness of appearance. And there is testimony of buyers for Marshall Field and Company and John M. Smyth Company of customer confusion."

oly for a limited term of 14 years, that election of rights and remedies was irrevocable. Stiffel cannot, after the patent monopoly has been held invalid, fall back upon the varying common law of unfair competition of any of the states in which suit might be brought against its competitor, Sears, and invoke through the federal courts a perpetual monopoly under state law in lieu of the invalid federal protection voluntarily sought by Stiffel under the patent laws for the strictly limited statutory life of a design patent.

G. It is contrary to the national policy promulgated by Congress through the patent laws (Title 35 U.S.C., pursuant to Article I, Section 8, Clause 8, of the Constitution of the United States) to restrain under state law the right to copy, except where copying is lawfully prevented by a valid copyright or patent. It is essential under the philosophy of free competition that Sears be permitted to enjoy the right of a competitor to copy the dedicated subject matter of an invalid patent, free of domination by the local law of a single state.

ARGUMENT.

A. The Decision of the Court of Appeals in This Case Interprets and Relies Upon the Illinois Law of Unfair Competition in Trademark Cases.

Stiffel seeks protection against copying of the ornamental appearance of its pole lamp by its competitor, Sears, under *both* the federal Design Patent law and the unfair competition law of Illinois. The subject matter for which Stiffel seeks protection under the state unfair competition law, however, is encompassed exclusively within the federal law of design patents. Since this Court's decision in *Erie Railroad* v. *Tompkins*, 304 U. S. 64, federal courts in patent, federal trademark and copyright cases have applied the law of the state to related issues, such as unfair competition, but only where such issues were not governed by federal law.[5] For example, in cases involving mechanical patents, the federal courts have applied federal statutory law to the scope and validity of the patented subject matter, but have applied state law to subject matter outside the scope of the patent monopoly such as unfair competition arising out of conduct not embraced by the patent. *In this case, there is no subject matter outside the scope of the invalid Stiffel design patent.*

The Court of Appeals for the Seventh Circuit in this case has erroneously applied the *Erie Railroad* v. *Tompkins* (*supra*) rule to an issue governed exclusively by federal law. Under Illinois law, as interpreted by the Court of Appeals in this case, mere copying and likelihood of confusion between the products of the parties is sufficient to constitute unfair competition. That state law has been erroneously applied to preclude Sears from selling in in-

terstate commerce the exclusively federal subject matter of a design patent.

The Court of Appeals based its Opinion primarily upon the prior *trademark* case decisions of the Illinois Supreme Court (*Investors Syndicate of America, Inc.* v. *Edward J. Hughes, Secretary of State*, 378 Ill. 413, 422, 1942) and the Illinois Appellate Court (*Lady Esther Limited* v. *Lady Esther Corset Shoppe*, 317 Ill. App. 451, 1943). These state trademark decisions had been interpreted by the Court of Appeals earlier in *Independent Nail & Packing Company, Inc.* v. *Stronghold Screw Products, Inc.*, 205 F. 2d 921 (C. A. 7, 1953), and in *National Van Lines* v. *Dean*, 288 F. 2d 5 (C. A. 7, 1961). None of these *trademark* case precedents involved either federal *patent* grants or the problem of collision between federal and state laws.

The Court of Appeals for the Seventh Circuit has established in this case a rule of law for federal courts of the State of Illinois by which it is "unnecessary to prove more than the likelihood of confusion as to the source of the product in order to make out a case of unfair competition."[6] Such a rule of law is so broad and sweeping, as to be wholly unprecedented by prior case decision in either the Seventh Circuit or any other Circuit. Generally, the unfair competition cases which have arisen in the State of Illinois,

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5. Patent case: *West Point Manufacturing Co.* v. *Detroit Stamping Co.*, 222 F. 2d 581, C. A. 6, 1955. Design patent case: *Zangerle & Peterson Co.* v. *Venice Furn. Novelty Mfg. Co.*, 133 F. 2d 266, C. A. 7, 1943. Federal trademark case: *Philco Corporation* v. *Phillips Mfg. Co.*, 133 F. 2d 663, C. A. 7, 1943. Copyright case: *G. Ricordi & Co.* v. *Haendler*, 194 F. 2d 914, C. A. 2, 1952.

6. Note 7, R. 113-114: "Under Illinois law, which governs here, it was unnecessary to prove more than the likelihood of confusion as to the source of the products in order to make out a case of unfair competition. *Independent Nail & Packing Co., Inc.* v. *Stronghold Screw Products, Inc.*, 205 F. 2d 921, 926 (7th Cir. 1953), *National Van Lines* v. *Dean*, 288 F. 2d 5, 9 (7th Cir. 1961). Those were trademark cases, but the rule is also applied in design patent unfair competition cases. *Day-Brite Lighting, Inc.* v. *Compco Corp.*, 311 F. 2d 26 (7th Cir., Dec. 14, 1962)."

and which have been applied previously by the federal courts of the Seventh Circuit, broadly fall into two categories: (1) misappropriation of a competitor's equitable property rights, and (2) misrepresentation of commercial source.

The first category rests upon a property right in an identification of a man's goods with him as their source of origin. The state and federal cases alike speak of "trademarks" and "secondary meaning" and "distinctiveness" and "special significance." All such cases and all such terms simply relate to the basic principle of identification of goods with a specific source. Such an identification may represent a valuable property right which the local state law of unfair competition protects against misappropriation.

The second category of unfair competition case law relates to various species of fraud and deception. Under these cases, both state and federal, the element of identification of goods with their source is unnecessary, and the law remedies the fundamental right to compete free from "counterfeits" and misrepresented imitations, as well as to compete free from the many other species of fraud which attack a competitor's business relations (such as intimidation, interference with contracts, and disparagement).

In the present case, Stiffel had failed to qualify under either of the two general categories of unfair competition. Stiffel had established no property right arising out of "secondary meaning" or its equivalent, and none was found. Plaintiff had proven no conduct of fraud or deception such as "palming off" by defendant, and none was found. There is neither the element of secondary meaning or its equivalent, nor the element of palming off or its equivalent in this case.

The Court of Appeals erroneously construed the District

Court's finding of "confusion" (Finding 42, R. 65) to be customer confusion as to source (R. 113, note 6):

> "The finding of customer confusion does not say 'as to the source of the lamps.' Clearly, however, that was intended on this record in view of the testimony of the buyers."

A reading of the actual testimony of the two buyers (Pemberton, R. 19-22; Passmore, R. 22-24) shows them to be skilled and *not* confused, and can in no way be construed as evidence of actual confusion by the purchasing public. The evidence shows nothing more than consumer dissatisfaction with the fact that the Sears product sold for half the price of the Stiffel product (R. 20-21).[7]

The only design patent case, involving facts in any way comparable to those of this case, relied upon by the Court of Appeals in support of the reasoning of its Opinion, is the case of *Day-Brite Lighting Inc.* v. *Compco Corp.*, 311 F. 2d 26 (C. A. 7, 1962), presently before this Court upon essentially the same question in No. 106, October Term, 1963.

In order best to preface the position of Sears in this case, it may be helpful to consider first what Sears does *not* contend. Sears does not contend that this Court should change the local law of the State of Illinois relating to unfair competition, although that law as construed by the Court of Appeals for the Seventh Circuit is not in accord with the application of the local law of unfair competition of other states by the federal courts of other Circuits. Sears does not contend that the federal courts, in cases involving issues not subject to a controlling federal statute

7. " • • • The customer's complaint was based upon the fact that she had bought a Stiffel Lampole at $39.50 as I recall, and she had then thereafter, seen a catalog item that looked to be similar at a much lesser price, and her question to me was why was this same pole half the price from somebody else. • • •"

or policy, cannot enjoin acts of unfair competition in violation of the state laws.[8]

The argument made here by Sears is simply that the federal courts may not apply local state law to enjoin forever the sale of an article of manufacture merely because it has a particular ornamental design appearance which, according to the District Court's Finding 42 (R. 65), caused confusion, where that identical ornamental appearance is the sole subject matter of the complainant's own invalid design patent. There can be no real question but that the federal law of design patents must control over the state law of unfair competition.

If a seller is remiss in clearly identifying his product, and thereby risks confusion by the purchaser, the court may properly require specific identification.[9] If an imitator is guilty of misrepresenting his product as that of the originator, the court may properly enjoin further acts of misrepresentation, whatever they may be. Sears' position in this case is that the federal courts may not enjoin the sale of a product by Sears merely because its design appearance has caused confusion, *where that design appearance is the subject matter of a design patent which is invalid as to Sears.*

The injunction of the Judgment below runs contrary to

8. The rights which are secured to inventors under the Constitution of the United States and the federal patent statutes must be enjoyed in subordination to the general authority of the individual states over all property within their limits. For example, a state statute may restrict the use or practice of a patented invention, *Patterson* v. *Kentucky*, 97 U. S. 501 (1879); a state may prescribe reasonable regulations for the transfer of patent rights, *Allen* v. *Riley*, 203 U. S. 347 (1906); and royalties received from patents are subject to non-discriminating state income taxes, *Fox Film Corp.* v. *Doyal*, 286 U. S. 123 (1932).

9. In *Prestonettes, Inc.* v. *Coty*, 264 U. S. 359, Justice Holmes approved the requirement that repackaged Coty perfume bear a label advising purchasers that Prestonettes was not connected with Coty, so as not to deceive the public.

the Constitutional provision which grants to inventors the exclusive right to their discoveries only "for limited times." As to Sears, the inventor in this case continues to have the same monopoly which the federal courts have erased pursuant to the patent statutes enacted by Congress.

B. The Federal Government Has Exclusive Jurisdiction Over Patents Under the Federal Patent Laws Enacted Pursuant to the Constitution.

Under the Constitution of the United States, the several states relinquished and conferred upon the federal government exclusive jurisdiction in the grant of patent monopolies to promote the progress of science and useful arts. Prior to the enactment by Congress of the first patent statutes, many of the states had granted patent monopolies to inventors as part of the inherent sovereignty of each state.[10]

In *The Federalist*, No. XLIII, James Madison commented on the necessity for the exclusive Constitutional power of the Congress in patents (Tudor Publishing Co. edition, New York, 1942, p. 294):

> "The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged, in Great Britain, to be a right of common law. The right to useful inventions seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals. The States cannot separately make effectual provisions for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress."

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10. A historical review of the origin of the patent monopoly in the United States is found in Walker On Patents, Deller's Edition, Volume One, Chapter I. At § 7, pp. 28-32, the grant by individual states of patents limited to the territory of the state is documented by reference to the Twelfth Census of the United States for 1900. Such rights, prior to the passage of the federal patent statutes, were recognized both by Congress and by the courts.

The first patent statute passed by the Second Congress in 1793, 2 ANNALS OF CONG. 1431 (1849) [1791-1793], recognized that the power of the states in patent matters was relinquished to the federal government.[11] By enacting legislation pursuant to the Constitutional provision, Congress invoked the exclusive jurisdiction of the federal government to exercise the power to promote the progress of science and useful arts through the grant of patents.

In the early case of *Gibbons* v. *Ogden*, 9 Wheaton 1, Chief Justice John Marshall spoke for the Court in ruling that a New York State court could not issue an injunction to prohibit movement of boats in interstate commerce under authority of state patent statutes in order to arrest infringement. Although this decision was based primarily upon the exclusive power of Congress to regulate interstate commerce, the unquestionable and irrefutable principle laid down applies to the patent clause as well as to the interstate commerce clause of Article I of the Constitution.

Unless the exclusive power of Congress in patent matters is preserved, an erosion of the integrity of the Constitution will be risked. The present case presents the same kind of hazard as was recognized in *Gibbons* v. *Ogden* (9 Wheaton 1, 221):

> "Powerful and ingenious minds, taking, as postulates, that the powers expressly granted to the government of the Union are to be contracted, by construction, into the narrowest possible compass, and that the original powers of the States are retained, if any possible construction will retain them, may,

11. Section 7 provided: "That where any State, before its adoption of the present form of Government, shall have granted an exclusive right to any invention, the party claiming that right shall not be capable of obtaining an exclusive right under this act, but on relinquishing his right under such particular State, and of such relinquishment, his obtaining an exclusive right under this act shall be sufficient evidence."

by a course of well digested, but refined and metaphysical reasoning, founded on these premises, explain away the constitution of our country, and leave it a magnificent structure indeed, to look at, but totally unfit for use."

The patent statutes specify that a mechanical patent shall expire in seventeen years (35 U.S.C. 154), and that a design patent shall expire either in three and one-half, in seven, or in fourteen years (35 U.S.C. 173), depending upon the term for which it was granted. In discussing the purpose of the patent statutes, this Court stated in *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 255:

"The enactment of these provisions is the mode by which Congress has chosen to carry into effect the policy sanctioned by the Constitution, Article I, § 8, Cl. 8 'To promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries.' The nature and extent of the legal consequences of the expiration of a patent are federal questions, the answers to which are to be derived from the patent laws and the policies which they adopt. Cf. *Sola Electric Co.* v. *Jefferson Co.*, 317 U. S. 173, 176, 63 S. Ct. 172, 173, 87 L. Ed. 165; *Steele* v. *Louisville & N. R. Co.*, 323 U. S. 192, 204, 65 S. Ct. 226, 233, and cases cited."

The question of federal supremacy in the field of patents is well settled in reason, principle, and precedent. If there is a collision of the federal and state laws relative to the legal effect of the termination of the federally limited life of a patent monopoly, then the state law must yield. Just as this Court held in *Sperry* v. *State of Florida*, 371 U. S. 875, the law of the State of Illinois cannot control the economic and competitive effect of patents:

"But 'the law of the State, though enacted in the exercise of powers not contravened, must yield' when incompatible with federal legislation."

C. The Patent Grant Is Limited in Time and Upon Termination the Subject Matter May Be Freely Used.

The patent statutes were designed, under the Constitution, to promote the progress of science and useful arts by encouraging inventors to make their inventions known rather than to keep them secret. The reward given the inventor in return for his contribution of public disclosure, rather than the pursuit of his alternative of maintaining secrecy, is a *limited* monopoly. This is the contract between the inventor and the public: the public enjoys free use of the inventor's disclosure upon termination of the limited patent monopoly. In *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 256, this Court stated:

> "The public has invested in such free use by the grant of a monopoly to the patentee for a limited time. Hence any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws."[12]

The inventor makes his dedication to the public at the time his patent is published on its date of grant. The published disclosure of the invention then belongs to the public save for the exclusive right of the inventor to make, use and sell his claimed invention for the limited time of the term of the patent (*Korzybski* v. *Underwood & Underwood*, 36 F. 2d 727, 729, 2nd Cir. 1929). Upon termination of the limited monopoly the public becomes entitled to share in the good will which may have been built up in the patented article or product through the enjoyment of the patent monopoly by the patent owner.

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12. Although the subject matter of the case was a seventeen-year patent, the principles involved are identically applicable to the shorter term of life of fourteen years or less of design patents.

The sound reasoning of *Scott Paper Co.* v. *Marcalus Mfg. Co.* (*supra*) is particularly applicable to the present case because of the reliance by the Court of Appeals upon prior decisions in *trademark* cases to support the grant of a perpetual unfair competition monopoly in lieu of a statutory patent monopoly. The federal courts may not, as the Court of Appeals did here, resort to the trademark law under the guise of unfair competition, and create a perpetual monopoly as to Sears and bar absolutely any participation in the good will built up in the patented article (*Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 256):

> "Hence we have held that the patentee may not exclude the public from participating in that good will or secure, to any extent, a continuation of his monopoly by resorting to the trademark law and registering as a trademark any particular descriptive matter appearing in the specifications, drawings or claims of the expired patent, whether or not such matter describes essential elements of the invention or claims. *Kellogg Co.* v. *National Biscuit Co.*, *supra*, 305 U. S. at pages, 117-120, 59 S. Ct. at pages 113, 114, 83 L. Ed. 73; *Singer Manufacturing Co.* v. *June Manufacturing Co.*, 163 U. S. 169, 185, 16 S. Ct. 1002, 1007, 41 L. Ed. 118."

D. The Decision of the Court of Appeals for the Seventh Circuit Is Contrary to the Express Intent and Purpose of the Federal Patent Grant.

By invoking the law of trademarks and unfair competition *of the State of Illinois;* the Court of Appeals has perpetually enjoined Sears from selling the pole lamp shown in the invalid Stiffel design patent *anywhere throughout the entire United States.*

As to Sears, Stiffel's fourteen-year monopoly in the design shown and claimed in the design patent ceased to exist

when the Court below held the patent invalid. The injunction granted below to enjoin Sears, perpetually and *without any qualifying limitation* from "selling or attempting to sell pole lamps identical to or confusingly similar to" the very same subject matter as the invalid patent, is contrary to the exclusive federal power to grant patents, and through the District Courts to enforce or invalidate them. The judicial determination of the scope and economic effect of patent monopolies is exclusively one for the federal courts (28 U.S.C. § 1338).[13]

Because Sears' copying of Stiffel is deemed unlawful and enjoinable under Illinois law, as construed in this case by the Court of Appeals, Sears is restrained from selling the enjoined product *in every state* without regard to the legality or illegality of the enjoined conduct in the forty-nine states other than Illinois. To allow the varying laws of each state to control activities that are potentially subject to federal regulation under the patent statutes involves a danger of conflict with national patent policy. The assertion of power by the individual states to regulate intrastate commerce can be just as effectively asserted through an award of damages as through injunctive relief.[14] (See Conclusion 7, R. 68.)

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13. "§ 1338. Patents, copyrights, trade-marks, and unfair competition.

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

14. The principle urged here is that the federal courts must defer to the patent laws and cannot invoke the local state law of unfair competition where the application of such local law presents a danger of state interference with national policy. This principle of federal supremacy has been invoked by this Court in various

Whenever copying as such is prohibited by the courts, the scope of competition in production and marketing of the copied product is correspondingly reduced, thereby compromising by judicial monopoly the basic free enterprise premise "* * * that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress. . . ." *Northern Pacific Railroad* v. *United States*, 356 U. S. 1, 4.

The decision of the Court of Appeals in this case directly thwarts the constitutional purpose of the patent system to *promote* the progress of science and the useful arts through *limited* monopolies. Unless the public and all litigants are free to utilize the knowledge disclosed in a patent either upon expiration or upon judicial invalidation of the patent's life, then the co-mingling of patent rights with state laws in federal litigation between competitors can leave the patent system of our country "* * * a magnificent structure indeed, to look at, but totally unfit for use."[15]

E. The Seventh Circuit Court of Appeals Decision Is Contrary to Applicable Precedents in the Second Circuit.

The problem of conflict between state and federal law in the judicial determination of statutory monopolies by the federal courts arose in the copyright case of *G. Ricordi & Co.* v. *Haendler*, 194 F. 2d 914 (C.A. 2, 1952). Copyrights and patents are twin rights, stemming from the same provision in the Constitution. Consequently, the principles and

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fields of law which affect the free flow of interstate commerce; e.g., the field of labor law (*San Diego Building Trades Council, etc.* v. *Garmon*, 359 U. S. 236, 245), and the field of interstate transportation (*Southern Pac. Co.* v. *State of Arizona*, 325, U. S. 761, 767).

15. The language applied by Chief Justice Marshall to the risk of erosion of the Constitution under the facts of *Gibbons* v. *Ogden*, 9 Wheaton 1, 221, is apt here.

reasoning of the *Ricordi* case (*supra*) are directly applicable to the question presented by the present patent case. In the *Ricordi* case (*supra*) the plaintiff owned a copyright on Verdi's opera "Falstaff". The Copyright expired. The defendant photographically copied pages of the copyrighted book including "a special typography" in addition to the vocal and piano scores. The plaintiff conceded that the defendant was free to copy the vocal and piano scores word for word and note for note, but contended that including the typography constituted unfair competition under the law of the State of New York.

Judge Learned Hand, speaking for the court, said with respect to the New York cases relied upon by the plaintiff (194 F. 2d 914, at 915):

> "* * * None of the decisions on which the plaintiff relies held that after copyright had expired the 'author' may prevent others from copying.
>
> "However, even if the law of New York were to that effect, we should feel obliged to disregard it, because the question before us is one of federal law: *i.e.* Did the plaintiff preserve any rights after publication in the book except those granted by the Copyright Act? * * * However, even though the state law held that publication was not a dedication we should feel bound to disregard it, because the question would still be, not one of state law, but of federal law."

Sears' position in this case is fully supported by the principle applied by the Court of Appeals for the Second Circuit to the virtually identical facts of *Hygienic Specialties Co.* v. *H. G. Salzman, Inc.*, 302 F. 2d 614 (C.A. 2, 1962). The Complaint in that case was based upon design patent infringement and unfair competition. Just as here, the design patent was held invalid, but, contrary to the ruling of the Court of Appeals for the Seventh Circuit in this case, the defendant's right to copy the subject matter of the invalid design patent was confirmed (302 F. 2d 614, at 619):

> "Since Hygienic's soap dish was not protected by a valid design patent, there was little to prevent others from producing similar articles. The District Court was greatly disturbed by Hutzler's 'Slavish Imitation' of Hygienic's 'successful product.' This reaction is understandable. * * * [Quoting from *American Safety Table Co.* v. *Schreiber*, 269 F. 2d at pp. 271-272.] * * * But, as Judge Medina points out in the quoted opinion, 'this initial response to the problem has been curbed in deference to the greater public good,' apparently on the principle that 'imitation is the life blood of competition.' Id. at p. 272. Therefore, the courts have repeatedly held that the copying of an unpatented design does not in itself constitute unfair competition. *Algren Watch Findings Co., Inc.* v. *Kalinsky*, 197 F. 2d 69, 70 (2nd Cir. 1952); *General Time Instruments Corp.* v. *U. S. Time Corp., supra*, 165 F. 2d at p. 854."

The Court of Appeals for the Seventh Circuit in this case has perpetually enjoined Sears from selling pole lamps identical to or confusingly similar to the subject matter of the invalid Stiffel design patent (Plaintiff's Exhibits 3 and 10) on the ground that confusion has resulted because Sears copied Stiffel. Thus, the Illinois law of unfair competition, right or wrong and relevant or irrelevant, has been applied in dominance over the federal law of patents. The decisions of the Court of Appeals for the Second Circuit, however, carefully avoid any dominance of state over federal law in a collision between the restraints of the local state law of unfair competition and the right of the public to copy the subject matter of patents or copyrights that have been terminated by expiration or by judicial invalidation. The Second Circuit has correctly invoked and upheld the necessary dominance of the federal law. The principles and reasoning of the Seventh Circuit in this case are in conflict with the sound and harmonious rulings of the Second Circuit.

F. That Sears Copied Stiffel's Commercial Product Rather Than the Drawings of the Patent Is of No Consequence.

Sears produced its commercial pole lamp (Plaintiff's Exhibit 10) by copying one of Stiffel's commercial pole lamps (Finding 43, R. 65) *before* the Stiffel design patent (Plaintiff's Exhibit 2, R. 71) had issued. This chronology is of no consequence to the question presented by this case. When Stiffel elected to rely upon the federal Patent Statutes to protect its pole lamp design, by securing a statutory monopoly on it for a limited term of fourteen years or less, that election of rights and remedies was irrevocable. Stiffel cannot, after the patent monopoly has been held invalid, fall back upon the varying common law of unfair competition of any of the states in which suit might be brought against its competitor, and invoke a perpetual monopoly in lieu of the protection voluntarily sought by Stiffel under the patent laws for the strictly limited statutory life of a design patent.

With respect to protection in Illinois, Stiffel might have relied solely upon the common law of unfair competition without ever applying for a patent. It is significant, however, that none of the Illinois cases relied upon by the Court of Appeals for the Seventh Circuit are proper precedents for holding Sears guilty of unfair competition even before the state courts. All of the Illinois cases applied by the Court of Appeals to the facts of this case were based upon a trademark or a trade name as a protectable property right for establishing an identification of source of a product. But the procedure of relying upon the Illinois State law of unfair competition, even if successful, would have given Stiffel no rights in other states. By electing to protect the appearance of its pole lamp with the statutory monopoly of a design patent, Stiffel sought uniform pro-

tection in all fifty states, and sought all the rights and benefits of federal law, including the right of access to the federal courts to secure remedies for infringement which Stiffel invoked in this case.

The consequences of the invalidity of the Stiffel design patent cannot now be avoided by Stiffel merely because Sears derived its product by reproducing Stiffel's commercial pole lamp rather than by copying the same design from the patent disclosure. The ornamental design of the Stiffel patent and the Stiffel article of manufacture are one and the same.

Unlike a mechanical patent which covers the relationship of structural elements, a design patent for an article of manufacture can cover no more than the ornamental appearance of that article. The Stiffel commercial pole lamp (Plaintiff's Exhibit 3), which Sears is enjoined from copying under the Judgment below, is the identical subject matter for which Stiffel obtained, invoked and lost the rights and remedies of a statutory patent monopoly under federal Constitutional power.

G. The Right of Competitors to Imitate Is Inherent in Our Economic System.

Free competition is a matter of great public importance in the United States. The philosophy that free competition, without the artificial restraint of judicially conferred monopolies, results in the greatest material progress was expressed by the Court of Customs and Patent Appeals, a court which hears many cases in the patent field and sits as an appellate tribunal of last resort with respect to the decisions and rulings of the Patent Office (*In re Deister Concentrator Co., Inc.*, 129 USPQ 314, 319 (1961).):

> "It is basic to our consideration, therefore, that the socio-economic policy supported by the general law is

the encouragement of competition by all fair means, and that encompasses the right to copy, very broadly interpreted, except where copying is lawfully prevented by a copyright or patent."

It is essential that, upon termination of a patent, whether by expiration or invalidity, the right of competitors to copy the dedicated subject matter be free of domination by local state law.

CONCLUSION.

The Judgment of the Court below, holding Sears guilty of unfair competition against Stiffel under the law of the State of Illinois, is contrary to national patent policy and to the controlling federal law of design patents because the enjoined design subject matter is identical to that of Stiffel's invalid design patent. Stiffel's limited monopoly in the design has been judicially ended by federal law and cannot be replaced by a perpetual monopoly under state law. The Judgment below should be reversed.

Respectfully submitted,

WILL FREEMAN,
135 South LaSalle Street,
Chicago, Illinois,
Attorney for Petitioner.

Of Counsel:
LEO H. ARNSTEIN,
FRANK H. MARKS,
D. D. ALLEGRETTI,
GEORGE B. NEWITT,
Chicago, Illinois.
September 23, 1963.